

BORVOR FINANCE PLC.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

AND

REPORT OF THE INDEPENDENT AUDITORS

Corporate information

Company:	Borvor Finance Plc.	
Registration No:	00029713	
Registered office:	#99, Group 4, Romchek 5 Village Ratanak Commune, Battambang City Battambang Province, Kingdom of Cambodia	
Shareholders:	Association of employee share (represented by Mr. Ly Chan Ty) Mr. Meas Thon Ms. Nget Ny Ms. Chea Chanda Mr. Veurn Phally Mr. Ly Chan Ty	
Board of Directors:	Mr. Sao Roeun	Chairman
	Mr. Ly Chan Ty	Vice Chairman
	Mr. Prom Mary	Member
	Mr. Suos Sovann	Member
	Mr. Pheng Raksa	Member
Principal bankers:	National Bank of Cambodia ACLEDA Bank Plc. Advanced Bank of Asia Limited	
Auditors:	Fii&Associates Co., Ltd.	

Borvor Finance Plc.

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Report of the Board of Directors

The Board of Directors (the "Board" or "Directors") hereby submit their report together with the audited financial statements of Borvor Finance Plc. ("the Company") for the year ended 31 December 2021 (the "financial year" or "year").

Principal activities

The principal business activities of the Company are to provide credit service and other financial services to individual customers in the Kingdom of Cambodia. There have been no significant changes in the nature of principal activities during the financial year.

Financial performance

The financial performance of the Company were as follows:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Loss before income tax	(657,875)	(161,720)	(322,683)	(79,147)
Income tax credit	114,532	28,154	59,287	14,542
Net loss for the year	<u>(543,343)</u>	<u>(133,566)</u>	<u>(263,396)</u>	<u>(64,605)</u>

Dividends

No dividend was declared or paid and the Directors do not recommend any dividend to be paid during the financial year.

Share capital

The paid-up capital of the Company as at 31 December 2021 is KHR9,741,600 thousand (2020: KHR9,741,600 thousand) with a par value KHR200,000 per share. Refer to Note 15 for the detailed Company's share capital and shareholding structure.

Reserves and provisions

There were no material transfers to or from reserves and provision during the financial year other than amount as disclosed in the financial statements.

Borvor Finance Plc.

Report of the Board of Directors (continued)

Bad and doubtful debts

Before the financial statements of the Company were prepared, Directors took reasonable steps to ascertain that action has been taken in relation to the write off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that there were no known bad debts and that allowance need not be made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write off bad debts or to make allowance for doubtful debts in the financial statements of the Company, inadequate to any material extent.

Current assets

Before the financial statements of the Company were prepared, the Directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business at their value as shown in the accounting records of the Company have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances that have arisen the value attributed to the current assets in the financial statements of the Company misleading.

Valuation methods

At the date of this report, the Directors are not aware of any circumstances that have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Company misleading or inappropriate.

Contingent liabilities

At the date of this report, there does not exist:

- (i) Any charge on the assets of the Company which has arisen since the end of the financial year which secures the liabilities of any other person, or
- (ii) Any contingent liability in respect of the Company that has arisen since the end of the financial period other than in the ordinary course of its business operations.

No contingent or other liability of the Company has become enforceable, or is likely to become enforceable, within the period of 12 months after the end of the financial period which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

Changes of circumstances

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in the report or in the financial statements of the Company, which would render any amount stated in the financial statements as misleading.

Borvor Finance Plc.

Report of the Board of Directors (continued)

Items of an unusual nature

The results of the operations of the Company for the financial year were not, in the opinion of the Directors, materially affected by any items, transactions or event of material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of material and unusual nature likely, in the opinion of the Directors, to effect substantially the results of the operations of the Company for the current year in which this report is made.

Events since the reporting date

At the date of this report, except as disclosed in the financial statements, there have been no significant events occurring after the reporting date which would require adjustments or disclosures to be made in the financial statements.

The Board of Directors

The members of the Board of Directors holding the office during the year and at the date of this report are:

Mr. Sao Roeun	Chairman
Mr. Ly Chan Ty	Vice Chairman
Mr. Prom Mary	Member
Mr. Suos Sovann	Member
Mr. Pheng Raksa	Member

Directors' interests

The Directors' interest are disclosed in Note 15 of the financial statements.

Directors' benefits

During and at the end of the financial year, no arrangement subsisted to which the Company is a party with the object of enabling Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no Directors of the Company have received or become entitled to receive benefit (other than benefit included in the aggregate amount of emoluments received or due and receivable by Directors) by reason of a contract made by the Company with the Directors or firm of which the director is member, or a Company in which the Directors has a substantial financial interest, other than as disclosed in the financial statements.

Borvor Finance Plc.

Report of the Board of Directors (continued)

Statements of Directors' responsibility in respect of financial statements

The Board of Directors is responsible to ascertain that the financial statements are presented fairly, in all material respects, the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs"). In preparing those financial statements, the Board of Directors is required to:

- (i) adopt appropriate accounting policies which are supported by reasonable and prudent judgments and estimates and then apply them consistently;
- (ii) comply with CIFRS for SMEs or, if there have been any departures in the interest of true and fair presentation, ensure that these have been appropriately disclosed, explained and quantified in the financial statements;
- (iii) oversee the Company's financial reporting process and maintain adequate accounting records and effective system of internal control;
- (iv) assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so; and
- (v) effectively control and direct the Company in all material decisions affecting the operations and performance and ascertain that such has been properly reflected in the financial statements.

The Board of Directors confirms that they have complied with the above requirements in preparing the financial statements.

Approval of the financial statements

The Board of Directors hereby approve the accompanying financial statements as set out on pages 8 to 42 which present fairly, in all material respects, the financial position of Borvor Finance Plc. as at 31 December 2021, and its financial performance and its cash flows for the year then ended, in accordance with CIFRS for SMEs.

Signed on behalf of the Board of Directors



Mr. Meas Thon
Chief Executive Officer

Battambang Province, Kingdom of Cambodia

13 May 2022

**Report of the Independent Auditors
To the shareholders
Borvor Finance Plc.**

Opinion

We have audited the financial statements of Borvor Finance Plc. ("the "Company"), which comprise the statement of financial position as at 31 December 2021, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information as set out on pages 8 to 42.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities ("CIFRS for SMEs").

Basis for Opinion

We conducted our audit in accordance with Cambodian International Standards on Auditing ("CISAs"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Cambodia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditors' report is the information included in the Report of the Board of Directors as set out on pages 1 to 4, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Report of the Independent Auditors (continued)

To the shareholders

Borvor Finance Plc.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with CIFRS for SMEs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of audit in accordance with CISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



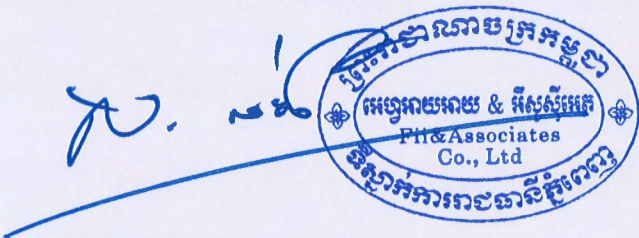
Report of the Independent Auditors (continued)
To the shareholders
Borvor Finance Plc.

Auditors' Responsibility for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of management use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to date of our auditor's report. However, future events or condition may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosure, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

For Fii&Associates Co., Ltd.



Seng Chanthan
Audit Partner

Phnom Penh, Kingdom of Cambodia

13 May 2022

Borvor Finance Plc.

**Statement of financial position
As at 31 December 2021**

	Note	2021		2020	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
ASSETS					
Cash on hand	4	145,358	35,679	130,330	32,220
Deposits and placements with the NBC	5	487,640	119,696	487,120	120,425
Deposits and placements with banks	6	540,862	132,759	1,449,943	358,453
Loans to customers	7	31,428,902	7,714,507	32,753,994	8,097,403
Other assets	8	81,020	19,887	119,698	29,592
Property and equipment	9	1,274,540	312,847	1,349,699	333,671
Deferred tax assets	11.1	441,923	108,474	327,391	80,937
Total assets		34,400,245	8,443,849	36,618,175	9,052,701
LIABILITIES AND EQUITY					
Liabilities					
Deposit from customers	10	1,340,567	329,054	1,856,674	459,005
Other payables	12	1,192,813	292,786	1,281,704	316,861
Borrowings	13	11,810,238	2,898,929	12,849,496	3,176,637
Current income/minimum tax liability	11.2	6,082	1,493	36,413	9,002
Total liabilities		14,349,700	3,522,262	16,024,287	3,961,505
Equity					
Project SEAD capital	14	949,821	237,455	949,821	237,455
Share capital	15	9,741,600	2,435,400	9,741,600	2,435,400
Regulatory reserves	16	1,174,621	288,321	429,418	106,160
Retained earnings		8,184,503	2,039,649	9,473,049	2,356,402
Currency translation differences		-	(79,238)	-	(44,221)
Total equity		20,050,545	4,921,587	20,593,888	5,091,196
Total liabilities and equity		34,400,245	8,443,849	36,618,175	9,052,701

The accompanying notes form an integral part of these financial statements.

Borvor Finance Plc.

**Statement of comprehensive income
for the year ended 31 December 2021**

	Note	2021		2020	
		KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Interest income	17	5,671,248	1,394,112	5,035,517	1,235,104
Interest expense	18	(879,282)	(216,146)	(964,649)	(236,608)
Net interest income		<u>4,791,966</u>	<u>1,177,966</u>	<u>4,070,868</u>	<u>998,496</u>
Other income	19	144,344	35,483	128,156	31,434
Total operating income		<u>4,936,310</u>	<u>1,213,449</u>	<u>4,199,024</u>	<u>1,029,930</u>
General and administrative expenses	20	(5,277,883)	(1,297,415)	(4,221,087)	(1,035,341)
Net impairment loss on financial assets	7	(165,539)	(40,693)	(233,072)	(57,168)
Depreciation		(92,607)	(22,765)	(67,548)	(16,568)
Minimum tax expense		(58,156)	(14,296)	-	-
Loss before income tax		<u>(657,875)</u>	<u>(161,720)</u>	<u>(322,683)</u>	<u>(79,147)</u>
Income tax credit	11.3	114,532	28,154	59,287	14,542
Net loss for the year		<u>(543,343)</u>	<u>(133,566)</u>	<u>(263,396)</u>	<u>(64,605)</u>
Other comprehensive (loss)/income					
Currency translation difference		-	(36,043)	-	37,427
Total comprehensive loss for the year		<u>(543,343)</u>	<u>(169,609)</u>	<u>(263,396)</u>	<u>(27,178)</u>

The accompanying notes form an integral part of these financial statements.

Borvor Finance Plc.

**Statement of changes in equity
for the year ended 31 December 2021**

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2020	949,821	237,455	9,741,600	2,435,400	386,227	94,780	9,964,106	2,476,848	-	(80,862)	21,041,754	5,163,621
Adjustments	-	-	-	-	-	-	(184,470)	(45,247)	-	-	(184,470)	(45,247)
	949,821	237,455	9,741,600	2,435,400	386,227	94,780	9,779,636	2,431,601		(80,862)	20,857,284	5,118,374
Comprehensive income/(loss) for the year												
Transfer to reserves	-	-	-	-	43,191	10,594	(43,191)	(10,594)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(263,396)	(64,605)	-	-	(263,396)	(64,605)
Other comprehensive income												
Currency translation differences	-	-	-	-	-	786	-	-	-	36,641	-	37,427
Total comprehensive income/(loss) for the year	-	-	-	-	43,191	11,380	(306,587)	(75,199)	-	36,641	(263,396)	(27,178)
At 31 December 2020	949,821	237,455	9,741,600	2,435,400	429,418	106,160	9,473,049	2,356,402	-	(44,221)	20,593,888	5,091,196

Borvor Finance Plc.

**Statement of changes in equity (continued)
for the year ended 31 December 2021**

	Project SEAD capital		Share capital		Regulatory reserves		Retained earnings		Currency translation differences		Total	
	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$	KHR'000	US\$
	(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)		(Note 2.4)	
At 1 January 2021	949,821	237,455	9,741,600	2,435,400	429,418	106,160	9,473,049	2,356,402	-	(44,221)	20,593,888	5,091,196
Comprehensive income/(loss) for the year												
Transfer to reserves	-	-	-	-	745,203	183,187	(745,203)	(183,187)	-	-	-	-
Net loss for the year	-	-	-	-	-	-	(543,343)	(133,566)	-	-	(543,343)	(133,566)
Other comprehensive loss												
Currency translation differences	-	-	-	-	-	(1,026)	-	-	-	(35,017)	-	(36,043)
Total comprehensive income/(loss) for the year	-	-	-	-	745,203	182,161	(1,288,546)	(316,753)	-	(35,017)	(543,343)	(169,609)
At 31 December 2021	949,821	237,455	9,741,600	2,435,400	1,174,621	288,321	8,184,503	2,039,649	-	(79,238)	20,050,545	4,921,587

The accompanying notes form an integral part of these financial statements.

Borvor Finance Plc.

Statement of cash flows for the year ended 31 December 2021

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash flows from operating activities				
Net loss for the year	(543,343)	(133,566)	(263,396)	(64,605)
<i>Adjustments for:</i>				
Minimum tax expense	58,156	14,296	-	-
Income tax credit	(114,532)	(28,154)	(59,287)	(14,542)
Net impairment loss financial assets	165,539	40,693	233,072	57,168
Depreciation and amortisation	92,607	22,765	67,548	16,568
Unrealised exchange loss	(1,304,049)	(320,563)	(121,849)	(29,887)
	(1,645,622)	(404,529)	(143,912)	(35,298)
<i>Changes in:</i>				
Loans to customers	2,628,136	646,051	67,131	16,466
Other assets	38,678	9,508	(76,138)	(18,675)
Deposits from customers	(516,107)	(126,870)	(573,167)	(140,585)
Other payables	(88,892)	(21,852)	(191,471)	(46,964)
	416,193	102,309	(917,557)	(225,056)
Seniority paid	(164,533)	(40,445)	(541,892)	(132,914)
Minimum and income tax paid	(88,487)	(21,752)	(174,249)	(42,740)
Net cash generated from/(used in) operating activities	163,173	40,111	(1,633,698)	(400,710)
Cash flows from investing activities				
Purchases of property and equipment	(17,448)	(4,289)	(202,213)	(49,598)
Net cash used in investing activities	(17,448)	(4,289)	(202,213)	(49,598)
Cash flows from financing activities				
Proceeds from borrowings	5,602,339	1,377,173	8,276,828	2,030,127
Repayment of borrowings	(6,641,597)	(1,632,644)	(7,013,537)	(1,720,269)
Net cash (used in)/generated from financing activities	(1,039,258)	(255,471)	1,263,291	309,858
Net decrease in cash and cash equivalents	(893,533)	(219,649)	(572,620)	(140,450)
Cash and cash equivalent at 1 January	1,580,313	390,683	2,152,933	528,327
Currency translation difference	-	(2,458)	-	2,806
Cash and cash equivalents at 31 December (Note 21)	686,780	168,576	1,580,313	390,683

The accompanying notes form an integral part of these financial statements.

Borvor Finance Plc.

Notes to the financial statements for the year ended 31 December 2021

1. Reporting entity

Borvor Finance Plc. (“the Company”) was incorporated as a public limited company in the Kingdom of Cambodia under registration number 00029713 dated 25 December 2017 with the Ministry of Commerce. On 22 November 2017, the Company obtained a license from the National Bank of Cambodia (“the Central Bank” or “the NBC”) to operate as a rural credit operator.

The Company was formerly known as Small Economic Activity Development (“SEAD”), a project operated under the umbrella of CARE International in Cambodia. SEAD’s saving programme is a component of CARE International Cambodia’s community saving programme in Battambang province.

SEAD was designed in 1998 with the aim to promote the economic security of low-income households through mobilisation of savings of the members. SEAD is implemented through community-based micro-finance institution by the establishment of saving banks at the community level.

On 5 September 2002, SEAD was registered as a non-political association under the name of Cambodian Savings and Credit Federation (“CSCF”). Subsequently, on 1 October 2002, the CSCF requested to the Ministry of Interior to change its name to Cambodian Community Savings Federation.

The Company is principally engaged in providing financial support to low income family and other related financial services within the scope of rural credit operator license in Cambodia.

The Company operates through 3 branches located in Battambang, Banteay Meanchey, and Bavel.

The registered office of the Company is located at No. 99, Group 4, Phum Romchek 5, Sangkat Ratanak, Krong Battambang, Battambang Province, Kingdom of Cambodia.

As at 31 December 2021, the Company had 118 employees (2020: 123 employees).

2. Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with Cambodian International Financial Reporting Standards for Small and Medium-sized Entities (“CIFRS for SMEs”).

Details of the Company’s significant accounting policies are included in Note 26.

These financial statements were approved by the Board of Directors and authorised for issue on 13 May 2022.

2.2 Fiscal year and reporting period

The Company’s fiscal year starts on 1 January and ends on 31 December.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

2. Basis of preparation (continued)

2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis.

2.4 Functional and presentation currency

The national currency of Cambodia is the Khmer Riel ("KHR"). The Company transacts its business and maintains its accounting records in three currencies, United States Dollars ("US\$"), Khmer Riel ("KHR") and Thai Baht ("THB"). Management has determined the KHR to be the Company's functional currency as it reflects the economic substance of the underlying events and circumstances of the Company.

The Company's presentation currency is KHR which is the national currency of Cambodia. All amounts have been rounded to the nearest thousand ("KHR'000"), unless otherwise indicated.

The translations of KHR to US\$ are included solely for presentation purpose.

Assets and liabilities are translated at the closing rate as at the reporting date, and equity accounts are translated at the historical rate. The statements of comprehensive income and cash flows are translated into US\$ using the average rate for the year. Exchange differences arising from the translation are recognised as "currency translation difference" in the other comprehensive income. The accumulative currency translation differences are recognised as a separate component of equity.

The Company uses the following exchange rates:

Financial year end	Closing rate	Average rate
31 December 2021	US\$1 = KHR4,074	US\$1 = KHR4,068
31 December 2020	US\$1 = KHR4,045	US\$1 = KHR4,077

These convenience translations should not be construed as representations that the KHR amounts have been, could have been, or could in the future be, converted into US\$ at this or any other rate of exchange.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

2. Basis of preparation (continued)

2.5 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, and income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended 31 December 2021 is set out in Note 3 - Critical accounting estimates and judgements.

3. Critical accounting estimates and judgements

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of failure events that are believed to be reasonable under the circumstances. The estimates, assumptions and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

3.1 Income and other taxes

Taxes are calculated on the basis of current interpretation of the tax obligations. However, these regulations are subject to periodic variation and different interpretation following inspection by the tax authorities. These may result in tax increase and other retroactive tax claims. It is difficult to predict the timing and severity of these occurrences or their potential effect.

3.2 Property and equipment

Accounting for property and equipment involves the use of estimates for determining the expected useful lives of these assets. The determination of useful lives of the assets is based on Management's judgement.

3.3 Allowance for doubtful debts

Management establishes allowance for doubtful debts on a case-by-case basis when they believe collection of amounts owed is unlikely to occur. In establishing these allowances, the management considers its historical experience and changes to its customers' financial position. If the financial condition of customer were deteriorating, resulting in the inability to make the required payments, allowance may be required to be made for such receivable.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

4. Cash on hand

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash on hand	145,358	35,679	130,330	32,220

(a) By currency:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Thai Baht	40,244	9,878	41,357	10,224
US Dollars	56,187	13,791	37,438	9,256
Khmer Riels	48,927	12,010	51,535	12,740
	145,358	35,679	130,330	32,220

5. Deposits and placements with the NBC

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Capital guarantee (i)	487,080	119,558	487,080	120,415
Current account (ii)	560	138	40	10
	487,640	119,696	487,120	120,425

- (i) The capital guarantee deposit is maintained with the NBC in compliance with Prakas No. B7-00-006 on the Licensing of Micro-Finance Institutions, the amounts of which are determined at 5% of the Company's registered share capital. The guarantee deposit will be refunded to the Company when the Company decides to close the business which is not contained the deposit from customers.

The capital guarantee deposit earns no interest.

- (ii) Current account earns no interest.

Borvor Finance Plc.**Notes to the financial statements (continued)
for the year ended 31 December 2021****6. Deposits and placements with banks**

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Saving accounts	540,453	132,659	1,449,538	358,353
Current accounts	409	100	405	100
	<u>540,862</u>	<u>132,759</u>	<u>1,449,943</u>	<u>358,453</u>

Deposits and placements with banks are analysed as follows:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
(a) By maturity:				
Within 1 month	<u>540,862</u>	<u>132,759</u>	<u>1,449,943</u>	<u>358,453</u>
(b) By currency:				
US Dollars	222,716	54,667	159,561	39,446
Khmer Riel	228,434	56,071	257,880	63,753
Thai Baht	89,712	22,021	1,032,502	255,254
	<u>540,862</u>	<u>132,759</u>	<u>1,449,943</u>	<u>358,453</u>

	2021	2020
(c) By interest rate (per annum):		
Saving accounts	0.05% - 0.50%	0.05% - 0.50%
Current accounts	<u>0%</u>	<u>0%</u>

Borvor Finance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

7. Loans to customers

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Loans to customer at costs	32,201,196	7,904,074	33,480,705	8,277,059
Unearned income	(422,591)	(103,729)	(460,280)	(113,789)
	<u>31,778,605</u>	<u>7,800,345</u>	<u>33,020,425</u>	<u>8,163,270</u>
Less: Impairment loss allowance	(349,703)	(85,838)	(266,431)	(65,867)
	<u>31,428,902</u>	<u>7,714,507</u>	<u>32,753,994</u>	<u>8,097,403</u>

Movements of allowances for impairment loss are as follows:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	266,431	65,867	288,208	70,726
Allowance for the year	165,539	40,693	233,072	57,168
Written off during the year	(82,267)	(20,223)	(254,849)	(62,509)
Currency translation difference	-	(499)	-	482
At 31 December	<u>349,703</u>	<u>85,838</u>	<u>266,431</u>	<u>65,867</u>

Gross loans to customers are analysed as follows:

(a) By currency:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Khmer Riel	8,912,027	2,187,537	9,366,449	2,315,562
US Dollars	16,067,548	3,943,925	11,641,433	2,877,981
Thai Baht	7,221,621	1,772,612	12,472,823	3,083,516
	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

(b) By residency status:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Residents	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

7. Loans to customers (continued)

Gross loans to customers are analysed as follows (continued):

(c) By interest rate (per annum):

	2021	2020
Loans to Community Based Microfinance Organisations (CBMIFOs)	10.8%	10.8% - 15.6%
Loans to SMEs	15.60% - 18%	15.60% - 18%

(d) By maturity:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within one year	526,401	129,210	563,075	139,203
From one to five years	25,774,471	6,326,576	31,694,479	7,835,471
Over five years	5,900,324	1,448,288	1,223,151	302,385
	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

(e) By industry:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Agriculture	16,284,417	3,997,157	17,522,792	4,331,963
Consumption	9,622,188	2,361,853	10,113,744	2,500,308
Trade	4,373,342	1,073,476	3,804,507	940,546
Service	1,434,467	352,103	1,590,443	393,187
Construction	468,449	114,985	449,219	111,055
Other categories	18,333	4,500	-	-
	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

(f) By relationship:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
External customers	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

7. Loans to customers (continued)

Gross loans to customers are analysed as follows (continued):

(g) By exposure:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Large exposures	3,288,042	807,080	2,303,662	569,509
Non-large exposures	28,913,154	7,096,994	31,177,043	7,707,550
	<u>32,201,196</u>	<u>7,904,074</u>	<u>33,480,705</u>	<u>8,277,059</u>

8. Other assets

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Prepayments	34,572	8,486	33,483	8,278
Stock of office supplies	6,244	1,533	11,414	2,822
Others	40,204	9,868	74,801	18,492
	<u>81,020</u>	<u>19,887</u>	<u>119,698</u>	<u>29,592</u>

Borvor Finance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

9. Property and equipment

31 December 2021	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 2.4)
Cost							
At 1 January 2021	704,918	539,283	380,394	196,385	102,356	1,923,336	475,485
Additions	-	-	-	15,168	2,280	17,448	4,289
Currency translation difference	-	-	-	-	-	-	(3,391)
At 31 December 2021	704,918	539,283	380,394	211,553	104,636	1,940,784	476,383
Less: Accumulated depreciation							
At 1 January 2021	-	105,031	216,247	153,915	98,444	573,637	141,814
Charge for the year	-	28,760	36,136	24,857	2,854	92,607	22,765
Currency translation difference	-	-	-	-	-	-	(1,043)
At 31 December 2021	-	133,791	252,383	178,772	101,298	666,244	163,536
Carrying amounts							
At 31 December 2021	704,918	405,492	128,011	32,781	3,338	1,274,540	312,847

Borvor Finance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

9. Property and equipment (continued)

31 December 2020	Land KHR'000	Building KHR'000	Motor vehicles KHR'000	Office equipment KHR'000	IT and computer equipment KHR'000	Total KHR'000	US\$ (Note 2.4)
Cost							
At 1 January 2020	704,918	539,283	199,342	178,944	98,636	1,721,123	422,361
Additions	-	-	181,052	17,441	3,720	202,213	49,598
Currency translation difference	-	-	-	-	-	-	3,526
At 31 December 2020	704,918	539,283	380,394	196,385	102,356	1,923,336	475,485
Less: Accumulated depreciation							
At 1 January 2020	-	76,203	197,314	136,668	95,904	506,089	124,193
Charge for the year	-	28,828	18,933	17,247	2,540	67,548	16,568
Currency translation difference	-	-	-	-	-	-	1,053
At 31 December 2020	-	105,031	216,247	153,915	98,444	573,637	141,814
Carrying amounts							
At 31 December 2020	704,918	434,252	164,147	42,470	3,912	1,349,699	333,671

Borvor Finance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

10. Deposit from customers

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Deposit from SMEs:				
Dormant accounts	821,557	201,659	927,762	229,360
Compulsory savings	456,199	111,978	594,279	146,917
Promissory notes	59,546	14,616	331,441	81,939
Voluntary savings	3,265	801	3,192	789
	<u>1,340,567</u>	<u>329,054</u>	<u>1,856,674</u>	<u>459,005</u>

Deposit from customers are carried forward from prior years. No additional deposits from customers have been collected from 2019. The amounts are analysed as follows: -

(a) By currency:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Khmer Riel	990,696	243,176	1,302,852	322,090
US Dollars	552	135	32,515	8,038
Thai Baht	349,319	85,743	521,307	128,877
	<u>1,340,567</u>	<u>329,054</u>	<u>1,856,674</u>	<u>459,005</u>

(b) By location:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Battambang	619,243	151,998	973,081	240,565
Banteay Meanchey	304,139	74,654	403,923	99,857
Bavel	417,185	102,402	479,670	118,583
	<u>1,340,567</u>	<u>329,054</u>	<u>1,856,674</u>	<u>459,005</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

10. Deposit from customers (continued)

The amounts are analysed as follows (continued):

(c) By interest rate (per annum):

	2021	2020
Deposit from CBMIFOs:		
Compulsory savings	9.00%	9.00%
Deposit from SMEs:		
Promissory notes	5.00% - 10.50%	5.00% - 10.50%
Compulsory savings	6.00%	6.00%
Voluntary savings	3.00%	3.00%

11. Income tax

11.1 Deferred tax assets, net

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Deferred tax assets	533,728	131,008	344,990	85,288
Deferred tax liabilities	(91,805)	(22,534)	(17,599)	(4,351)
	<u>441,923</u>	<u>108,474</u>	<u>327,391</u>	<u>80,937</u>

(i) Movements deferred tax assets are attributable to the following:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Accelerated depreciation	673	165	200	49
Provision for severance pay and annual leave	210,718	51,722	228,363	56,456
Medical benefit payable	753	185	-	-
Impairment loss allowance	(91,805)	(22,534)	(17,598)	(4,351)
Unrealised exchange loss	237,066	58,190	24,370	6,025
Deferred income	84,518	20,746	92,056	22,758
	<u>441,923</u>	<u>108,474</u>	<u>327,391</u>	<u>80,937</u>

Borvor Finance Plc.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

11. Income tax (continued)

11.1 Deferred tax assets, net (Continued)

(ii) Deferred tax assets are attributable to the following:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	327,391	80,937	121,435	29,800
Recognised in profit or loss	114,532	28,154	205,956	50,517
Currency translation difference	-	(617)	-	620
At 31 December	441,923	108,474	327,391	80,937

11.2 Current income/minimum tax liability

Current income tax liability

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	36,413	9,002	63,993	15,704
Current income tax expense	-	-	146,669	35,975
Income tax paid	(36,413)	(8,951)	(174,249)	(42,740)
Currency translation difference	-	(51)	-	63
At 31 December	-	-	36,413	9,002

Minimum tax liability

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	-	-	-	-
Minimum tax expense	58,156	14,296	-	-
Minimum tax paid	(52,074)	(12,801)	-	-
Currency translation difference	-	(2)	-	-
At 31 December	6,082	1,493	-	-
Current income/minimum tax liability	6,082	1,493	36,413	9,002

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

11. Income tax (continued)

11.3 Income tax credit

In accordance with Cambodian Law on Taxation, the Company has an obligation to pay corporate income tax of either the profit tax at the rate of 20% of taxable profits or the minimum tax at 1% of gross revenues, whichever is higher.

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Current income tax	-	-	146,669	35,975
Deferred tax	(114,532)	(28,154)	(205,956)	(50,517)
Income tax credit	(114,532)	(28,154)	(59,287)	(14,542)

The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense shown in the statement of comprehensive income is as follows:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
(Loss)/profit before income tax	(657,875)	(161,720)	(322,683)	(79,147)
Income tax using income tax rate at 20%	(131,575)	(32,344)	(64,537)	(15,829)
Tax effects in respect of:				
Non-deductible expenses	15,831	3,892	5,109	1,253
Unrecognised tax loss	1,987	488	-	-
Others	(775)	(190)	141	34
Income tax credit	(114,532)	(28,154)	(59,287)	(14,542)

The calculation of taxable income is subject to the review and approval of the tax authorities.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

12. Other liabilities

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Severance benefits payable	904,511	222,020	1,068,180	264,074
Accrued expenses	91,873	22,551	110,226	27,250
Annual leave payable	149,076	36,592	73,639	18,205
Tax payables	16,775	4,118	19,976	4,938
Medical benefit payable	3,764	924	3,873	957
Other payables	26,814	6,580	5,810	1,437
	<u>1,192,813</u>	<u>292,785</u>	<u>1,281,704</u>	<u>316,861</u>

13. Borrowings

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Stichting Rabo Bank Foundation	2,065,814	507,073	3,664,770	906,000
CARE International UK Micro funds	3,718,125	912,647	3,543,107	875,923
Individual	3,215,500	789,273	3,155,100	780,000
Oikocredit Ecumenical Development Cooperative Society U.A.	2,810,799	689,936	2,486,519	614,714
	<u>11,810,238</u>	<u>2,898,929</u>	<u>12,849,496</u>	<u>3,176,637</u>

The above borrowings are analysed as follows:

(a) By maturity:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within 2 to 3 months	364,050	89,359	768,637	190,022
3 to 12 months	2,833,000	695,385	1,294,748	320,086
1 to 5 years	8,613,188	2,114,185	10,786,111	2,666,529
	<u>11,810,238</u>	<u>2,898,929</u>	<u>12,849,496</u>	<u>3,176,637</u>

(b) By currency:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
US Dollars	<u>11,810,238</u>	<u>2,898,929</u>	<u>12,849,496</u>	<u>3,176,637</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

13. Borrowings (continued)

The above borrowings are analysed as follows (continued):

(c) By interest rate (annually):

	2021	2020
US Dollars	8%-9.5%	8%-9.5%

14. Project SEAD Capital

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Project SEAD capital under Credit Union Foundation Australia ("CUFA") funds	83,365	20,841	83,365	20,841
Project SEAD capital under AusAID funds	866,456	216,614	866,456	216,614
	<u>949,821</u>	<u>237,455</u>	<u>949,821</u>	<u>237,455</u>

Refer to Note 1 for detail.

15. Share capital

	2021			2020		
	Number	KHR'000	US\$ (Note 2.4)	Number	KHR'000	US\$ (Note 2.4)
Registered:						
Ordinary shares of KHR200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400
Issued and paid-up:						
Ordinary shares of KHR200,000 each	48,708	9,741,600	2,435,400	48,708	9,741,600	2,435,400

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

15. Share capital (continued)

The shareholding structure of the Company is as follows:

	2021			2020		
	% of Ownership	Number of shares	Amount KHR'000	% of Ownership	Number of shares	Amount KHR'000
Association of employee share (represented by Mr. Ly Chan Ty)	97.78%	47,622	9,524,400	97.78%	47,622	9,524,400
Mr. Meas Thon	0.82%	400	80,000	0.82%	400	80,000
Ms. Nget Ny	0.41%	200	40,000	0.41%	200	40,000
Ms. Chea Chanda	0.44%	216	43,200	0.44%	216	43,200
Mr. Veurn Phally	0.14%	70	14,000	0.14%	70	14,000
Mr. Ly Chanty	0.41%	200	40,000	0.41%	200	40,000
	100%	48,708	9,741,600	100%	48,708	9,741,600

16. Regulatory reserves

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Regulatory reserves (*)	1,174,621	288,321	429,418	106,160

(*) Regulatory reserves:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
At 1 January	429,418	106,160	386,227	94,780
Transfers	745,203	183,187	43,191	10,594
Currency translation difference	-	(1,026)	-	786
At 31 December	1,174,621	288,321	429,418	106,160

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

16. Regulatory reserves (continued)

Transfer from retained earnings to reserve pertaining to impairment during the year when the provision under NBC requirement is higher than CIFRS for SMEs:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Impairment on credit facilities required by the NBC				
- Deposits and placements with banks	5,409	1,328	14,499	3,584
- Loans to customers	1,518,915	372,831	681,350	168,443
	<u>1,524,324</u>	<u>374,159</u>	<u>695,849</u>	<u>172,027</u>
Impairment loss on financial assets under CIFRS for SMEs (Note 7)	349,703	85,838	266,431	65,867
	<u>1,174,621</u>	<u>288,321</u>	<u>429,418</u>	<u>106,160</u>

17. Interest income

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Loans to customers	5,666,990	1,393,065	5,031,792	1,234,190
Deposit with banks	4,258	1,047	3,725	914
	<u>5,671,248</u>	<u>1,394,112</u>	<u>5,035,517</u>	<u>1,235,104</u>

18. Interest expense

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Borrowings	834,486	205,134	890,400	218,396
Deposit from customers	44,796	11,012	74,249	18,212
	<u>879,282</u>	<u>216,146</u>	<u>964,649</u>	<u>236,608</u>

19. Other income

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Penalty fee	52,590	12,928	48,877	11,988
Others	91,754	22,555	79,279	19,446
	<u>144,344</u>	<u>35,483</u>	<u>128,156</u>	<u>31,434</u>

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

20. General and administrative expenses

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Staff salaries and wages	2,599,941	639,120	2,508,466	615,273
Loss on exchange rate	1,304,049	320,563	121,849	29,887
Severance and benefits	406,122	99,833	590,367	144,804
Rental	200,396	49,262	209,121	51,293
Professional fees	147,972	36,375	134,588	33,012
Medical expenses	118,689	29,176	132,819	32,578
Office supplies	76,777	18,873	74,555	18,287
Loan protection and life savings ("LPLS") expense	71,122	17,483	47,695	11,699
Training and Workshops	54,921	13,501	74,250	18,212
Insurance	54,073	13,292	56,251	13,797
Utilities	48,067	11,816	48,286	11,844
Fuel & gasoline	37,721	9,273	30,975	7,597
License fees	27,642	6,795	24,677	6,053
Travel and DSA	26,387	6,486	38,418	9,423
Bank charges	23,436	5,761	15,848	3,887
Other charge on borrowings	19,493	4,792	13,533	3,319
Communication	17,063	4,194	15,885	3,896
Repairs and maintenance	15,109	3,714	25,234	6,189
Affiliation fees	8,043	1,977	7,763	1,904
Withholding tax	8,033	1,975	25,545	6,266
Litigation fees	7,956	1,956	2,790	684
Annual leave expense	4,102	1,008	4,687	1,150
Social Service fees	590	145	9,125	2,238
Other expenses	179	45	8,360	2,049
	5,277,883	1,297,415	4,221,087	1,035,341

21. Cash and cash equivalents

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Cash on hand (Note 4)	145,358	35,679	130,330	32,220
Deposits and placements with NBC ((Note 5 (ii))	560	138	40	10
Deposits and placements with other banks (with maturities of 3 months or less) (Note 6)	540,862	132,759	1,449,943	358,453
	686,780	168,576	1,580,313	390,683

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

22. Related party transactions

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Related parties:				
Mr. Meas Thon				
Borrowing	366,660	90,133	122,310	30,000
Interest expense	26,796	6,587	10,127	2,484
	<u>393,456</u>	<u>96,720</u>	<u>132,437</u>	<u>32,484</u>
Mr. Prom Mary				
Borrowing	285,180	70,103	283,150	70,000
Interest expense	23,350	5,740	9,955	2,442
	<u>308,530</u>	<u>75,843</u>	<u>293,105</u>	<u>72,442</u>
Key management remuneration:				
Directors and key management personnel compensation	<u>445,397</u>	<u>109,488</u>	<u>461,501</u>	<u>113,195</u>

23. Lease commitments

The Company leases office premises under an operating lease arrangement with minimum lease commitments as follows:

	2021		2020	
	KHR'000	US\$ (Note 2.4)	KHR'000	US\$ (Note 2.4)
Within 1 year	1,546,327	379,560	124,044	30,666
2 to 5 years	676,659	166,092	60,481	14,952
	<u>2,222,986</u>	<u>545,652</u>	<u>184,525</u>	<u>45,618</u>

24. Tax contingencies

Taxes are subject to review and investigation by a number of authorities, who are enabled by law to impose severe fines, penalties and interest charges. The application of tax laws and regulations to many types of transactions are susceptible to varying interpretations.

These facts may create tax risks in Cambodia materially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have different interpretations and the effects could be significant.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

25. Subsequent event

Impact of Novel Coronavirus Outbreak to the Company

Since January 2020, the outbreak of Novel Coronavirus (“COVID-19”) has impact on the global as well as Cambodia business environment. The Company has been keeping continuous attention on the situation of the COVID-19 and react actively to its impact on the financial position and operating results of the Company.

26. Significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

26.1 Basis of aggregation

The Company’s financial statements comprise the financial statements of the head office and its branches. All inter-branch balances and transactions have been eliminated.

26.2 Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits with banks and other highly liquid investments with original maturities of three months or less and that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Cash and cash equivalents are carried at amortised cost using effective interest method in the statement of financial position.

26.3 Deposits and placements with banks

Deposits and placements with banks are carried at amortised cost using the effective interest method in the statement of financial position.

26.4 Deposits and placements with NBC

Deposits and placements with the NBC, including capital guarantee deposit are carried at amortised cost using the effective interest method in the statement of financial position.

Capital guarantee deposit is maintained in compliance with the Cambodian Law on Banking and Financial Institutions and are determined by defined percentages of minimum share capital as required by the NBC.

Capital guarantee is not available to finance the Company’s day-to-day operations hence are not considered as part of cash and cash equivalents for the purpose of the statement of cash flows.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.5 Loan to customers

Loans to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the Company does not intend to sell immediately or in the near term.

Loans to customers are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

26.6 Other assets

Other assets are carried at amortised cost using the effective interest method in the statement of financial position.

26.7 Property and equipment

(i). *Recognition and measurement*

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains or losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised net within other income in profit or loss.

(ii). *Subsequent costs*

The costs of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(iii). *Depreciation*

Depreciation of property and equipment is calculated on a straight-line basis over the estimated useful lives of the individual assets as follows:

	Number of years
Buildings	5 years
Office equipment	2 years
Motor vehicles	2-5 years
IT and computer equipment	2 years

Land is not depreciated.

If there is an indication that there has been a significant change in depreciation rate, useful life or residual value of an asset, the depreciation of that asset is revised prospectively to reflect the new expectations.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.7 Property and equipment (continued)

(iii). Depreciation (continued)

Fully depreciated property and equipment are retained in the financial statements until disposed of or written off.

26.8 Intangible assets

Intangible assets consist of computer software license and related costs are stated at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets are amortised over an estimate useful life of 10 years using a straight-line method. If there is an indication that there has been a significant change in amortisation rate, useful life or residual value of an intangible asset, the amortisation is revised prospectively to reflect the new expectations.

26.9 Impairment

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

26.10 Borrowings, deposits from customers and other liabilities

Borrowings, deposits from customers and other liabilities are carried at amortised cost using the effective interest method in the statement of financial position.

26.11 Provisions

Provisions are recognised in the statement of financial provision when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as finance cost.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.12 Employee benefits

Severance payment

The Company has a severance payment for all employees. Severance payment was recognised during the employees' periods of service on accrual basis. This payment will be fully paid to the employees upon their retirement or resignation under satisfactory conditions

26.13 Dividends

Dividends declared and approved by the Company's shareholders before the end of reporting date are recognised as a liability and accounted for as a deduction from the retained earnings in the financial statements.

Dividends declared and approved by the Company's shareholders after the reporting date are not recognised as a liability but disclosed as the subsequent events note in the financial statements.

26.14 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

26.15 Fee and commission income

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or financial liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.16 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the Company. All other leases are classified as operating leases.

Rights to assets held under finance leases are recognised as assets of the Company at the fair value of the leased property (or, if lower, the present value of minimum lease payments) at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in property and equipment, and depreciated and assessed for impairment losses in the same way as owned assets.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

26.17 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and their corresponding tax bases (known as temporary differences).

Deferred tax liabilities are recognised for all temporary differences that are expected to increase taxable profit in the future. Deferred tax assets are recognised for all temporary differences that are expected to reduce taxable profit in the future, and any unused tax losses or unused tax credits. Deferred tax assets are measured at the highest amount that, on the basis of current or estimated future taxable profit, is more likely than not to be recovered.

The net carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. Any adjustments are recognised in profit or loss, except that an adjustment attributable to an item of income or expense recognised in other comprehensive income shall also be recognised in other comprehensive income.

Deferred tax is calculated at the tax rates that are expected to apply to the taxable profit (tax loss) of the periods in which it expects the deferred tax asset to be realised or the deferred tax liability to be settled, on the basis of tax rates that have been enacted or substantively enacted by the end of the reporting period.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

26. Significant accounting policies (continued)

26.18 Financial assets and financial liabilities

(i). Recognition

The Company initially recognises a financial asset or a financial liability when the Company becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus transaction costs that are directly attributable to its acquisition or issue.

(ii). Classification

The Company classifies its financial assets and liabilities as basic financial instruments in accordance with Section 11 Basic Financial Instruments.

(iii). Derecognition

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or settled, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv). Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v). Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

**Notes to the financial statements (continued)
for the year ended 31 December 2021**

26. Significant accounting policies (continued)

26.18 Financial assets and financial liabilities (continued)

(vi) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e., the fair value of the consideration given or received. If the Company determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Company recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

(vii) Identification and measurement of impairment

Objective evidence of impairment

At each reporting date, the Company assesses whether there is objective evidence that financial assets that are measured at cost or amortised cost. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets and that the loss event has an impact on the future cash flows of the assets that can be estimated reliably.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.18 Financial assets and financial liabilities (continued)

(vii). Identification and measurement of impairment (continued)

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security; or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Individual and collective assessment

All individually significant assets are individually assessed for impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment, and found to be individually impaired, and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the management.

A collective component of the total allowance is established for:

- groups of homogeneous loans that are not considered individually significant; and
- groups of assets that are individually significant but that were not found to be individually impaired.

The collective allowance for groups of homogeneous loans is established using statistical methods such as roll rate methodology or, for small portfolios with insufficient information, a formula approach based on historical loss rate experience.

In assessing the collective loss allowance, management considers factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions are made to define how inherent losses are modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depends on the model assumptions and parameters used in determining the collective allowance.

Borvor Finance Plc.

Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.18 Financial assets and financial liabilities (continued)

(vii). *Identification and measurement of impairment (continued)*

Measurement

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Reversal of impairment and write off

If, in a subsequent period, the amount of an impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the entity shall reverse the previously recognised impairment loss either directly or by adjusting an allowance account.

The reversal shall not result in a carrying amount of the financial asset (net of any allowance account) that exceeds what the carrying amount would have been had the impairment not previously been recognised. The entity shall recognise the amount of the reversal in profit or loss immediately.

The Company writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when the management determines that there is no realistic prospect of recovery.

26.19 Regulatory reserve

The NBC issued Prakas No. B7-017-344 dated 1 December 2017 on Credit Risk Grading and Provision on Impairment and Circular No. B7-018-001 dated 16 February 2018 on the Implementation of Prakas on Credit Risk Grading and Provision on Impairment, which require all banks and financial institutions ("Institution") to measure the impairment and provide sufficient allowance for bad and doubtful loans based on the new credit risk grading and provision as follows:

Classification	Number of days past due	Allowance
Short-term loans (less than one year):		
Standard	0 – 14 days	1%
Special mention	15– 30 days	3%
Sub-standard	31 – 60 days	20%
Doubtful	61 – 90 days	50%
Loss	90 days or more	100%

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Notes to the financial statements (continued) for the year ended 31 December 2021

26. Significant accounting policies (continued)

26.19 Regulatory reserve (continued)

Classification	Number of days past due	Allowance
Long-term loans (more than one year):		
Standard	0 – 29 days	1%
Special mention	30– 89 days	3%
Sub-standard	90 – 179 days	20%
Doubtful	180 – 359 days	50%
Loss	360 days or more	100%

In accordance with Article 73, the entity shall compare the provision calculated in accordance with above requirements, and the Company's record which is under CIFRS for SMEs:

- (i) If the regulatory provision is lower, the entity records the provision calculated in accordance with CIFRS for SMEs; and
- (ii) If the regulatory provision is higher, the entity records the provision calculated in accordance with CIFRS for SMEs and transfer the difference from retained earnings into regulatory reserves in equity account.

26.20 Related parties

Enterprises and individual that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including the holding companies, subsidiaries and fellow subsidiaries, are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including Directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals, also constitute related parties.